

NORWALK COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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Norwalk Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2007 Election)</b>		
Katherine Schmidt	President	2008
George Meinecke	Vice President	2008
Rick Kaul	Board Member	2007
Tom Phillips	Board Member	2009
Deborah Hobbs	Board Member	2009
<b>Board of Education</b>		
<b>(After September 2007 Election)</b>		
Katherine Schmidt	President	2008
George Meinecke	Vice President	2008
Rick Kaul	Board Member	2010
Tom Phillips	Board Member	2009
Deborah Hobbs	Board Member	2009
<b>School Officials</b>		
Dr. Dennis Wulf	Superintendent	2008
Kate Baldwin	Business Manager and District Secretary	2008
Drew Bracken	Attorney	2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Norwalk Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Norwalk Community School District, Norwalk, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Norwalk Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2009 on our consideration of the Norwalk Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 16 and 41 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Norwalk Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 31, 2009

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Norwalk Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- Fiscal 2008 General Fund revenues exceeded expenses by \$91,252. The excess of revenues over expenses resulted in an increase in the fund balance from \$6,099,919 to \$6,191,171. Revenues were \$18.8 million vs. \$17.8 million in fiscal 2007, and expenditures were \$18.7 million vs. \$16.0 million in fiscal 2007.
- The increase in General Fund revenues was attributable to an increase in state and federal sources of revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- Financial solvency ratio is a measure of the financial health of a School District used to determine the District's ability to fund outstanding financial liabilities at fiscal year end. A targeted solvency ratio is at or above the 5% level. If a school district's financial solvency is negative, this raises cause for concern. A solvency ratio at or below -3% requires action in the form of a "Workout Plan" by the School District's Board of Directors to correct the financial position of the District.

In FY2003 the Board of Directors of the Norwalk Community School District adopted specific financial goals and procedures to pro-actively place the School District in a stronger financial position with a higher solvency ratio. The Board of Directors renewed these final goals in August 2008.

Goals and Actions Approved by the Board of Directors:

- Adopt a Board Resolution to Increase the District's solvency ratio to 15% or greater
- Adopt a Board Policy to Create and Maintain a "Balanced Budget" annually
- FY2004- Adoption of a One-Year Instructional Support Levy at the Maximum 10% Revenue Rate
- FY2004- Voter Approved Physical Plant & Equipment Levy at the Maximum Rate of \$1.34/\$1000
- FY2004- Voter Approved Local Option Sales Tax at 1 cent per Retail Sales in Warren County
- FY2005- Adoption of a full Five-year Instructional Support Levy at the Maximum 10% Revenue Rate

Below is a recap of the solvency ratios for the past six fiscal years:

FY2002	-5.08%
FY2003	0.96%
FY2004	7.75%
FY2005	17.51%
FY2006	27.19%
FY2007	33.59%
FY2008	32.20%
Est. FY2009	29.99%

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The District has surpassed the original targeted goal of 5% and has decided to maintain a future solvency ratio of 15%.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Norwalk Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Norwalk Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Norwalk Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Norwalk Community School District Annual Financial Report**

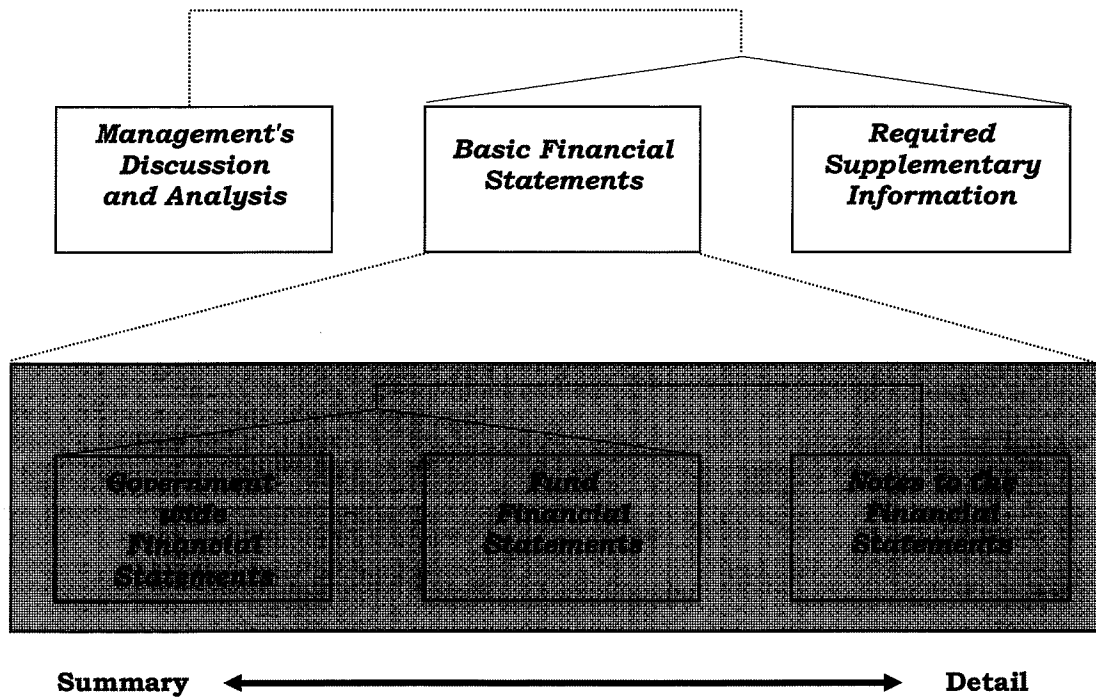




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District's internal service funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund, the Self-Funded Health Insurance Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private Purpose Trust Fund.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 23,203,873	15,712,043	517,271	398,158	23,721,144	16,110,201	47.24%
Capital assets	23,950,164	22,101,714	573,610	153,648	24,523,774	22,255,362	10.19%
Total assets	47,154,037	37,813,757	1,090,881	551,806	48,244,918	38,365,563	25.75%
Long-term obligations	23,164,794	16,484,932	0	0	23,164,794	16,484,932	40.52%
Other liabilities	7,513,460	6,568,308	43,069	11,894	7,556,529	6,580,202	14.84%
Total liabilities	30,678,254	23,053,240	43,069	11,894	30,721,323	23,065,134	33.19%
Net assets:							
Invested in capital assets, net of related debt	7,389,431	6,515,171	573,610	153,648	7,963,041	6,668,819	19.41%
Restricted	2,741,339	1,999,466	0	0	2,741,339	1,999,466	37.10%
Unrestricted	6,345,013	6,245,880	474,202	386,264	6,819,215	6,632,144	2.82%
Total net assets	\$ 16,475,783	14,760,517	1,047,812	539,912	17,523,595	15,300,429	14.53%

The District's combined net assets increased by 14.53%, or \$2,223,166, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's

restricted net assets increased \$741,873, or 37.10% over the prior year. The increase was primarily a result of the carryover grant balances as well as restricted fund balances in the Capital Projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$187,071, or 2.82%. This increase in unrestricted net assets was a result of the District increases in unrestricted fund balance in the General, School Nutrition and Internal Service Funds.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4  
Changes of Net Assets

	Governmental Activities June 30,		Business-type Activities June 30,		Total School District June 30,		Total Change June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,702,646	1,790,376	595,027	588,856	2,297,673	2,379,232	-3.43%
Operating grants and contributions and restricted interest	2,334,355	2,142,772	222,369	196,353	2,556,724	2,339,125	9.30%
Capital grants and contributions and restricted interest	146,100	1,050,100	0	0	146,100	1,050,100	-86.09%
General revenues:							
Property tax	6,130,000	6,000,204	0	0	6,130,000	6,000,204	2.16%
Local option sales and services tax	774,300	850,489	0	0	774,300	850,489	-8.96%
Unrestricted state grants	11,247,037	10,336,959	0	0	11,247,037	10,336,959	8.80%
Other	466,327	768,742	16,883	25,742	483,210	794,484	-39.18%
Transfers	(483,821)	165,450	483,821	(200,000)	0	(34,550)	100.00%
Total revenues and transfers	22,316,944	23,105,092	1,318,100	610,951	23,635,044	23,716,043	-0.34%
Program expenses:							
Governmental activities:							
Instructional	12,678,045	10,982,239	0	0	12,678,045	10,982,239	15.44%
Support services	6,093,041	5,241,463	40,807	34,050	6,133,848	5,275,513	16.27%
Non-instructional programs	0	0	769,393	651,629	769,393	651,629	18.07%
Other expenses	1,830,592	1,876,301	0	0	1,830,592	1,876,301	-2.44%
Total expenses	20,601,678	18,100,003	810,200	685,679	21,411,878	18,785,682	13.98%
Changes in net assets	1,715,266	5,005,089	507,900	(74,728)	2,223,166	4,930,361	-54.91%
Beginning Net Assets	14,760,517	9,755,428	539,912	614,640	15,300,429	10,370,068	47.54%
Ending Net Assets	\$ 16,475,783	14,760,517	1,047,812	539,912	17,523,595	15,300,429	14.53%

In FY03 the District adopted a one-year Instructional Support Levy for the FY04 School Year. In FY04 the School District extended this new Levy for an additional five years beginning with the FY05 School Year. The Board of Directors understands the significantly positive impact the Instructional Support Levy revenues have provided to the General Fund. The current ISL Board adoption will expire in FY2009, but the Board of Directors took action in May of 2008 to renew the ISL for a second five-year period, extending the additional levy until 2014. The ISL is funded by a combination of local property tax revenues and state aid. Below is a recap of the additional revenues this levy has generated for the District over the past five years.

---

	Local Property Taxes	State Aid	Total ISL Revenues
FY2003	\$522,537	\$166,207	\$688,744
FY2004	\$565,502	\$148,687	\$714,189
FY2005	\$599,292	\$141,965	\$741,257
FY2006	\$637,632	\$138,055	\$775,687
FY2007	\$636,497	\$138,055	\$774,552
FY2008	\$666,495	\$136,522	\$803,017
<i>Est. FY2009</i>	<i>\$750,747</i>	<i>\$128,792</i>	<i>\$879,539</i>

The ISL has enabled the School District to achieve the targeted solvency ratios within a four-year period, by retaining these additional revenues to create a reserve fund to insure adequate cash flow needs and improve the District's overall financial stability. In year two (FY2005) the District achieved the initial goal of reaching a 5% solvency ratio. The District elected to utilize approximately 40% of the ISL revenues to fund new expenditures for curriculum and textbook purchases.

Below is a recap of the District's June 30<sup>th</sup> ending General Fund Balances for the past five fiscal years:

FY2003	\$ 1,071,608
FY2004	\$ 1,197,612
FY2005	\$ 2,674,848
FY2006	\$ 4,308,547
FY2007	\$ 6,099,919
FY2008	\$ 6,062,576
<i>Est. FY2009</i>	<i>\$ 5,672,785</i>

In FY2008 the District opened a new secondary attendance center to serve 8<sup>th</sup> and 9<sup>th</sup> grade students. The District hired 15 new teachers to serve this school. The salaries of these teachers were funded out of the General Fund reserve balances. The District does not anticipate construction of another new attendance center until 2017, requiring the necessity to hire a large number of staff again. Until that time, staff will be added in small increments of one or two per year, depending upon enrollment growth.

In FY2005 the District implemented a partial self-funding employee health insurance program, assuming some of the employee health insurance claims liability for hospitalizations up to a maximum of \$500 per plan (single or family). This accounting is managed through an internal service fund. Below is a listing of the annual premium savings that has created retained earnings during each of the four years.

	<u>Revenues</u>	<u>Expenses</u>	<u>Surplus/ Deficit</u>	<u>Ending Fund Balances</u>
FY2005	\$ 961,724	\$ 808,744	\$ 152,979	\$ 152,979
FY2006	\$1,164,170	\$1,030,888	\$ 133,282	\$ 286,261
FY2007	\$1,124,495	\$1,010,645	\$ 113,849	\$ 400,110
FY2008	\$1,247,067	\$1,123,216	\$ 123,851	\$ 523,961
<i>Est. FY2009</i>	<i>\$1,092,177</i>	<i>\$1,008,618</i>	<i>\$ 83,559</i>	<i>\$ 607,520</i>

These measures to increase District revenues have resulted in a significant increase in ending year fund balances. The creation of these additional revenues are part of an action plan that was established to meet one of the District's financial goals. In FY03 School District's Board of Directors adopted the following financial goal with respect to fund balances: "The School District will maintain an Undesignated, Unreserved General Fund Balance equal to a minimum of 12% of total General Fund Expenditures for that school year (Fund Balance to increase as the budget

grows; maximum of 15%).” The adoption of this Board financial goal and the subsequent action plan to increase General Fund and PPEL revenues has lead to an increase in Ending Net Assets.

In September 2002, the District renewed the Physical Plant & Equipment Levy (PPEL) for a 10-year levy period beginning with the FY04 School Year. The District renewed the annual levy amount at the State Maximum limit of \$1.34 per \$1000, doubling the annual property tax collections for this levy. In October 2007, the District issued \$1,290,000 in capital loan notes to purchase capital equipment. Below is a recap of the recent PPEL revenues, expenses and ending fund balances:

	<u>Revenues</u>	<u>Expenses</u>	<u>Ending Fund Balances</u>
FY2004	\$508,137	\$557,814	(\$ 33,721)
FY2005	\$470,174	\$638,605	(\$202,151)
FY2006	\$486,648	\$212,594	\$ 71,903
FY2007	\$509,508	\$437,484	\$143,927
FY2008	\$1,860,271	\$1,830,154	\$174,044
Est. FY2009	\$ 600,327	\$ 581,494	(\$ 77,123)

In January 2003 the school districts of Warren County successfully passed a 10-year, county-wide Local Options Sales Tax Levy (LOSST) to increase school infrastructure funding. This revenue source has funded new construction and capital improvements. In 2008, the Iowa legislature passed new legislation to implement a statewide one-cent sales tax for school infrastructure. The new state sales tax replacing the local count sales tax. State sales tax revenue collections will be distributed to all Iowa schools based on annual student enrollment totals. The new state sales tax for schools will expire in 2019. Below is a recap of the annual revenues, expenses and ending fund balance for Sales Tax Fund.

	<u>Revenues</u>	<u>Expenses</u>	<u>Ending Fund Balances</u>
FY2005	\$ 961,895	\$ 0	\$ 961,895
FY2006	\$1,063,835	\$1,541,985	\$ 483,745
FY2007	\$1,315,794	\$1,163,783	\$ 635,756
FY2008	\$1,347,285	\$ 819,500	\$1,163,541
Est. FY2009	\$1,362,299	\$2,263,055	\$ 262,785

### Governmental Activities

Revenues, net of transfers for governmental activities were \$22,316,944 and expenses were \$20,601,678.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 12,678,045	10,982,239	15.44%	9,423,880	7,785,535	21.04%
Support services	6,093,041	5,241,463	16.25%	5,903,567	4,140,711	42.57%
Other expenses	1,830,592	1,876,301	-2.44%	1,091,130	1,190,509	-8.35%
Totals	<u>\$ 20,601,678</u>	<u>18,100,003</u>	<u>13.82%</u>	<u>16,418,577</u>	<u>13,116,755</u>	<u>25.17%</u>

- The cost financed by users of the District’s programs was \$1,702,646.

- 
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,480,455.
  - The net cost of governmental activities was financed with \$6,130,000 in property tax, \$774,300 in local option sales and services tax, \$11,247,037 in unrestricted state grant and \$466,327 in other general revenues.

### **Business-Type Activities**

Revenues, net transfers of the District's business-type activity were \$1,318,100 and expenses were \$810,200. The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income. During the year the District transferred \$483,821 for new kitchen equipment purchased from the Capital Projects, High School GO Bond Construction Fund.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Norwalk Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$15,286,690, above last year's ending fund balances of \$8,842,167. However, the primary reason for the increase was the issuance of \$6.2 million in general obligation bonds for capital facility construction in the Capital Projects, Elementary GO Bond Construction Fund.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. Growth during the year in local tax, state and federal grants resulted in an increase in revenues. The increase in revenues was partially offset by the District's increase in General Fund expenditures, resulting in a fund balance increase from \$6,099,919 to \$6,191,171.
- The Special Revenue, Physical Plant and Equipment Levy Fund balance increased from \$143,927 to \$174,044. The District issued \$1,290,000 in capital loan notes during the year. The District transferred \$1.5 million to the Capital Projects, High School GO Bond Construction Fund to finance new equipment purchases. Overall, the change in fund balance was due to the increase in revenues was greater than the increase in expenditures.
- The Capital Projects Fund balance was utilized for the issuance of bonds and the collection of local option sales and services tax. The capital improvement expenditures were funded by the issuance of a G.O. Bond of \$6.2 million. During the year, the Capital Projects Fund balance to increase from \$1,376,930 to \$7,583,479.
- The Debt Service Fund balance was utilized for the payments of principal and interest on bonds and capital loan notes. During the year, the Debt Service Fund balance to increase from \$746,550 to \$756,745.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$539,912 at June 30, 2007 to \$1,047,812 at June 30, 2008, representing an increase of 94.07%. The District purchased new kitchen equipment totaling \$483,821 from the Capital Projects, High School GO Bond Construction Fund. These assets have been added to the balance sheet and shown as contributed capital revenue.

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## BUDGETARY HIGHLIGHTS

Over the course of the year, Norwalk Community School District amended its annual budget one time to reflect additional expenditures in the instruction, non-instructional programs and other expenditures functions.

The District's revenues were \$839,873 more than budgeted revenues, a variance of 3.68%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$24.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 10.19% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$717,376.

The original cost of the District's capital assets was \$33.5 million. Governmental funds account for \$32.8 million with the remainder of \$0.7 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$12,977,098 at June 30, 2008, compared to \$11,744,327 reported at June 30, 2007. This increase resulted from the District's capital construction at the elementary and secondary campus site for an addition and renovations that are in progress at the year end.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 256,352	256,352	0	0	256,352	256,352	0.00%
Construction in progress	12,977,098	11,744,327	0	0	12,977,098	11,744,327	10.50%
Buildings	9,309,964	9,153,829	0	0	9,309,964	9,153,829	1.71%
Land improvements	349,991	272,699	0	0	349,991	272,699	28.34%
Machinery and equipment	1,056,759	674,507	573,610	153,648	1,630,369	828,155	96.87%
Total	\$ 23,950,164	22,101,714	573,610	153,648	24,523,774	22,255,362	10.19%

### Long-Term Debt

At June 30, 2008, the District had \$23,164,794 in general obligation, revenue and other long-term debt outstanding. This represents an increase of 40.52% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.



The District had outstanding General Obligation Bonds payable of \$19,135,000 at June 30, 2008.

The District had outstanding Revenue Bonds payable of \$2,555,000 at June 30, 2008.

The District had outstanding Capital Loan Notes payable from the Physical Plant and Equipment Levy Fund of \$1,290,000 at June 30, 2008.

The District had outstanding compensated absences payable from the General Fund of \$184,794 at June 30, 2008.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 19,135,000	13,470,000	42.06%
Revenue bonds	2,555,000	2,875,000	-11.13%
Capital loan notes	1,290,000	0	100.00%
Compensated absences	184,794	139,932	32.06%
Totals	\$ 23,164,794	16,484,932	40.52%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- The District has experienced increasing enrollment for the past several years and expects greater enrollment increases due to new housing developments in progress within the District. The average annual increase in student enrollment is approximately 35 to 40 students, based in the past five years of data. Below is a recap of the District's enrollment growth for the past nine years:

School Year	Certified Enrollment	Increase/Decrease
2000-2001	2083.9	61.2
2001-2002	2097.2	13.3
2002-2003	2160.3	63.1
2003-2004	2185.8	25.5
2004-2005	2185.5	- 0.3
2005-2006	2238.0	52.5
2006-2007	2269.6	31.6
2007-2008	2329.9	60.3

- The State of Iowa has approved a 4% allowable growth factor for all school districts in FY08 and 4% again in FY2009. This annual percentage increase in the per pupil cost coupled with increased enrollment will provide significant new funding for the School District.
- In 2004 the District had developed a 20-Year facilities plan and did not intend to issue any additional general obligation debt until FY2012. Based in recent enrollment increases in our elementary grades and a desire to maintain small student class sizes (lower teacher-pupil ratios) to achieve academic goals, the District has revised our 20-year building plan to move the construction of elementary classroom up from 2012 to 2010.

- 
- In February 2008 the District approved the sale of \$8.4 million of general obligation bonds to fund an elementary school addition. The bonds will be sold in two increments. The sale of bonds with principal values totaling \$6.2 million was sold in May 2008. The second bond sale of \$2.2 million will occur in April or May of 2010.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kate Baldwin, Business Manager, Norwalk Community School District, 906 School Avenue, Norwalk, Iowa, 50211.

BASIC FINANCIAL STATEMENTS

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 14,978,409	504,428	15,482,837
Receivables:			
Property tax:			
Delinquent	187,911	0	187,911
Succeeding year	7,070,210	0	7,070,210
Accounts	11,687	5,426	17,113
Accrued interest	71,050	163	71,213
Due from other governments	884,606	0	884,606
Inventories	0	7,254	7,254
Capital assets, net of accumulated depreciation (Note 4)	23,950,164	573,610	24,523,774
<b>TOTAL ASSETS</b>	<b>47,154,037</b>	<b>1,090,881</b>	<b>48,244,918</b>
<b>LIABILITIES</b>			
Accounts payable	27,493	22,988	50,481
Salaries and benefits payable	188,370	4,651	193,021
Accrued interest payable	120,238	0	120,238
Deferred revenue:			
Succeeding year property tax	7,070,210	0	7,070,210
Other	107,149	0	107,149
Unearned revenue	0	15,430	15,430
Long-term liabilities (Note 5):			
Portion due within one year:			
G.O. bonds payable	640,000	0	640,000
Revenue bonds payable	330,000	0	330,000
Capital loan note payable	240,000	0	240,000
Compensated absences payable	184,794	0	184,794
Portion due after one year:			
G.O. bonds payable	18,495,000	0	18,495,000
Revenue bonds payable	2,225,000	0	2,225,000
Capital loan note payable	1,050,000	0	1,050,000
<b>TOTAL LIABILITIES</b>	<b>30,678,254</b>	<b>43,069</b>	<b>30,721,323</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,389,431	573,610	7,963,041
Restricted for:			
Debt service	756,745	0	756,745
Talented and gifted	22,921	0	22,921
Market factor	15,675	0	15,675
Professional development	10,695	0	10,695
Market factor incentives	15,796	0	15,796
Physical plant and equipment levy	174,044	0	174,044
Capital projects	1,164,212	0	1,164,212
Management levy	354,396	0	354,396
Other special revenue purposes	226,855	0	226,855
Unrestricted	6,345,013	474,202	6,819,215
<b>TOTAL NET ASSETS</b>	<b>\$ 16,475,783</b>	<b>1,047,812</b>	<b>17,523,595</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular instruction	\$ 8,188,109	879,025	1,390,003	0	(5,919,081)	0	(5,919,081)
Special instruction	2,418,941	152,146	185,938	0	(2,080,857)	0	(2,080,857)
Other instruction	2,070,995	645,054	1,999	0	(1,423,942)	0	(1,423,942)
	<u>12,678,045</u>	<u>1,676,225</u>	<u>1,577,940</u>	<u>0</u>	<u>(9,423,880)</u>	<u>0</u>	<u>(9,423,880)</u>
Support services:							
Student services	655,271	0	0	0	(655,271)	0	(655,271)
Instructional staff services	635,707	0	0	0	(635,707)	0	(635,707)
Administration services	1,919,295	0	0	0	(1,919,295)	0	(1,919,295)
Operation and maintenance of plant services	2,236,070	0	0	146,100	(2,089,970)	0	(2,089,970)
Transportation services	646,698	26,421	16,953	0	(603,324)	0	(603,324)
	<u>6,093,041</u>	<u>26,421</u>	<u>16,953</u>	<u>146,100</u>	<u>(5,903,567)</u>	<u>0</u>	<u>(5,903,567)</u>
Other expenditures:							
Long-term debt interest	733,615	0	0	0	(733,615)	0	(733,615)
AEA flowthrough	739,462	0	739,462	0	0	0	0
Depreciation (unallocated) *	357,515	0	0	0	(357,515)	0	(357,515)
	<u>1,830,592</u>	<u>0</u>	<u>739,462</u>	<u>0</u>	<u>(1,091,130)</u>	<u>0</u>	<u>(1,091,130)</u>
Total governmental activities	20,601,678	1,702,646	2,334,355	146,100	(16,418,577)	0	(16,418,577)
Business-type activities:							
Support services:							
Administration services	506	0	0	0	0	(506)	(506)
Operation and maintenance of plant services	40,301	0	0	0	0	(40,301)	(40,301)
	<u>40,807</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(40,807)</u>	<u>(40,807)</u>
Non-instructional programs:							
Nutrition services	769,393	595,027	222,369	0	0	48,003	48,003
Total business-type activities	810,200	595,027	222,369	0	0	7,196	7,196
Total	<u>\$ 21,411,878</u>	<u>2,297,673</u>	<u>2,556,724</u>	<u>146,100</u>	<u>(16,418,577)</u>	<u>7,196</u>	<u>(16,411,381)</u>
<b>General Revenues and Transfers:</b>							
General Revenues:							
Property tax levied for:							
General purposes					\$ 4,472,625	0	4,472,625
Capital outlay					529,252	0	529,252
Debt service					1,128,123	0	1,128,123
Local option sales and services tax					774,300	0	774,300
Unrestricted state grants					11,247,037	0	11,247,037
Unrestricted investment earnings					396,225	16,883	413,108
Other general revenues					70,102	0	70,102
Transfers					(483,821)	483,821	0
Total general revenues and transfers					<u>18,133,843</u>	<u>500,704</u>	<u>18,634,547</u>
Changes in net assets					1,715,266	507,900	2,223,166
Net assets beginning of year					14,760,517	539,912	15,300,429
Net assets end of year					<u>\$ 16,475,783</u>	<u>1,047,812</u>	<u>17,523,595</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>						
Cash and pooled investments	\$ 6,023,549	167,094	6,927,925	741,513	576,551	14,436,632
Receivables:						
Property tax:						
Delinquent	128,203	13,639	0	36,818	9,251	187,911
Succeeding year	4,606,004	597,552	0	1,451,654	415,000	7,070,210
Accounts	11,248	0	0	0	439	11,687
Accrued interest	56,793	0	13,748	509	0	71,050
Due from other governments	242,800	0	641,806	0	0	884,606
<b>TOTAL ASSETS</b>	<b>\$ 11,068,597</b>	<b>778,285</b>	<b>7,583,479</b>	<b>2,230,494</b>	<b>1,001,241</b>	<b>22,662,096</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 26,780	0	0	92	621	27,493
Salaries and benefits payable	170,554	0	0	0	0	170,554
Deferred revenue:						
Succeeding year property tax	4,606,004	597,552	0	1,451,654	415,000	7,070,210
Other	74,088	6,689	0	22,003	4,369	107,149
Total liabilities	<b>4,877,426</b>	<b>604,241</b>	<b>0</b>	<b>1,473,749</b>	<b>419,990</b>	<b>7,375,406</b>
Fund balances:						
Reserved:						
Debt service	0	0	0	756,745	0	756,745
Capital facility construction	0	0	6,419,267	0	0	6,419,267
LOSST supplemental	0	0	505,574	0	0	505,574
Talented and gifted	22,921	0	0	0	0	22,921
Market factor	15,675	0	0	0	0	15,675
Professional development	10,695	0	0	0	0	10,695
Market factor incentives	15,796	0	0	0	0	15,796
Unreserved:						
Designated for special purposes	63,508	0	0	0	0	63,508
Designated for school sign	0	0	671	0	0	671
Undesignated:						
General	6,062,576	0	0	0	0	6,062,576
Physical plant and equipment levy	0	174,044	0	0	0	174,044
Capital projects	0	0	657,967	0	0	657,967
Management levy	0	0	0	0	354,396	354,396
Other special revenue purposes	0	0	0	0	226,855	226,855
Total fund balances	<b>6,191,171</b>	<b>174,044</b>	<b>7,583,479</b>	<b>756,745</b>	<b>581,251</b>	<b>15,286,690</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,068,597</b>	<b>778,285</b>	<b>7,583,479</b>	<b>2,230,494</b>	<b>1,001,241</b>	<b>22,662,096</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total fund balances of governmental funds (page 19)	\$ 15,286,690
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.	23,950,164
Blending of the Internal Service Fund to be reflected at an entity-wide basis.	523,961
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(120,238)
Long-term liabilities, including bonds payable, capital loan notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(23,164,794)</u>
Net assets of governmental activities (page 17)	<u>\$ 16,475,783</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 4,102,523	529,252	774,300	1,128,123	370,102	6,904,300
Tuition	867,627	0	0	0	0	867,627
Other	720,964	13,380	167,071	13,634	508,474	1,423,523
Intermediate sources	14,071	0	0	0	0	14,071
State sources	12,649,701	263	505,574	560	201	13,156,299
Federal sources	384,945	0	50,000	0	0	434,945
Total revenues	18,739,831	542,895	1,496,945	1,142,317	878,777	22,800,765
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular instruction	8,647,973	0	0	0	56,677	8,704,650
Special instruction	2,443,711	0	0	0	0	2,443,711
Other instruction	1,560,858	0	0	0	510,719	2,071,577
	12,652,542	0	0	0	567,396	13,219,938
Support services:						
Student services	658,987	0	0	0	0	658,987
Instructional staff services	631,841	0	0	0	0	631,841
Administration services	1,837,668	0	0	4,128	19,863	1,861,659
Operation and maintenance of plant services	1,630,455	50,155	0	0	154,858	1,835,468
Transportation services	557,668	0	0	0	29,322	586,990
	5,316,619	50,155	0	4,128	204,043	5,574,945
Other expenditures:						
Facilities acquisitions	0	242,134	2,589,336	0	0	2,831,470
Long-term debt:						
Principal	0	0	0	855,000	0	855,000
Interest and fiscal charges	0	0	0	719,916	0	719,916
AEA flowthrough	739,462	0	0	0	0	739,462
	739,462	242,134	2,589,336	1,574,916	0	5,145,848
Total expenditures	18,708,623	292,289	2,589,336	1,579,044	771,439	23,940,731
Excess (deficiency) of revenues over (under) expenditures	31,208	250,606	(1,092,391)	(436,727)	107,338	(1,139,966)
Other financing sources (uses):						
Transfer in	928	27,376	1,718,556	443,334	0	2,190,194
Transfer out	(27,376)	(1,532,963)	(628,927)	0	(928)	(2,190,194)
Issuance of general obligation bonds	0	0	6,200,000	0	0	6,200,000
Premium on issuance of bonds	0	0	104,901	0	0	104,901
Discounts on issuance of bonds	0	(4,902)	(95,590)	0	0	(100,492)
Accrued interest on bonds	0	0	0	3,588	0	3,588
Issuance of capital loan notes	0	1,290,000	0	0	0	1,290,000
Proceeds from the disposal of property	86,492	0	0	0	0	86,492
Total other financing sources (uses)	60,044	(220,489)	7,298,940	446,922	(928)	7,584,489
Net change in fund balances	91,252	30,117	6,206,549	10,195	106,410	6,444,523
Fund balance beginning of year	6,099,919	143,927	1,376,930	746,550	474,841	8,842,167
Fund balance end of year	\$ 6,191,171	174,044	7,583,479	756,745	581,251	15,286,690

SEE NOTES TO FINANCIAL STATEMENTS.



NORWALK COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 21) \$ 6,444,523

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal of capital assets in the current year, as follows:

Expenditures for capital assets	\$ 2,507,110	
Depreciation expense	(657,960)	
Loss on disposal of capital assets	<u>(700)</u>	1,848,450

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.	123,851
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues and repayments are as follows:

Issued	\$ (7,490,000)	
Repaid	<u>855,000</u>	(6,635,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(21,696)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated Absences	<u>(44,862)</u>
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Changes in net assets of governmental activities (page 18)	<u><u>\$ 1,715,266</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	Business-Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
ASSETS		
Cash and pooled investments	\$ 504,428	541,777
Receivables:		
Accounts	5,426	0
Accrued interest	163	0
Inventories	7,254	0
Capital assets, net of accumulated depreciation(Note 4)	573,610	0
TOTAL ASSETS	1,090,881	541,777
LIABILITIES		
Accounts payable	22,988	0
Salaries and benefits payable	4,651	17,816
Unearned revenue	15,430	0
TOTAL LIABILITIES	43,069	17,816
NET ASSETS		
Invested in capital assets	573,610	0
Unrestricted	474,202	523,961
TOTAL NET ASSETS	\$ 1,047,812	523,961

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 595,027	1,247,067
TOTAL OPERATING REVENUES	595,027	1,247,067
OPERATING EXPENSES:		
Support services:		
Administrative services:		
Services	506	0
Operation and maintenance of plant services:		
Salaries	14,169	0
Benefits	7,392	0
Services	7,787	0
Supplies	10,953	0
	40,301	0
Total support services	40,807	0
Non-instructional programs:		
Food service operations:		
Salaries	219,210	0
Benefits	73,516	0
Services	40,642	0
Supplies	370,540	0
Depreciation	59,416	0
	763,324	0
Other enterprise operations:		
Benefits	0	1,110,393
Services	0	12,823
	0	1,123,216
Total non-instructional programs	763,324	1,123,216
TOTAL OPERATING EXPENSES	804,131	1,123,216
OPERATING INCOME (LOSS)	(209,104)	123,851
NON-OPERATING REVENUES (EXPENSES):		
State sources	9,261	0
Federal sources	213,108	0
Interest income	16,883	0
Loss on disposal of capital assets	(6,069)	0
TOTAL NON-OPERATING REVENUES (EXPENSES)	233,183	0
Changes in net assets before capital contributions	24,079	123,851
OTHER FINANCING SOURCES:		
Capital contributions	483,821	0
Changes in net assets	507,900	123,851
Net assets beginning of year	539,912	400,110
Net assets end of year	\$ 1,047,812	523,961

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 597,420	0
Cash received from miscellaneous operating activities	0	1,247,067
Cash payments to employees for services	(312,913)	(1,107,858)
Cash payments to suppliers for goods or services	(361,348)	(12,823)
Net cash provided by(used in) operating activities	(76,841)	126,386
Cash flows from non-capital financing activities:		
Interfund loan repayments to the General Fund	0	(10,201)
State grants received	9,261	0
Federal grants received	164,570	0
Net cash provided by(used in) non-capital financing activities	173,831	(10,201)
Cash flows from capital and related financing activities:		
Acquisition of assets	(1,626)	0
Net cash used in capital and related financing activities	(1,626)	0
Cash flows from investing activities:		
Interest on investments	16,883	0
Net cash provided by investing activities	16,883	0
Net increase in cash and cash equivalents	112,247	116,185
Cash and cash equivalents at beginning of year	392,181	425,592
Cash and cash equivalents at end of year	\$ 504,428	541,777
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (209,104)	123,851
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	48,538	0
Depreciation	59,416	0
Increase in inventories	(2,446)	0
Increase in accounts receivable	(4,420)	0
Increase in accounts payable	22,988	0
Increase in salaries and benefits payable	1,374	2,535
Increase in unearned revenue	6,813	0
Net cash provided by(used in) operating activities	\$ (76,841)	126,386
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 504,428	541,777

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$48,538.

During the year ended June 30, 2008, the District received capital contributions from the Capital Projects Fund valued at \$483,821.

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2008

		<u>Private Purpose Trust Scholarship Fund</u>
ASSETS		
Cash and pooled investments	\$	35,087
Accrued interest receivable		254
Total assets		<u>35,341</u>
LIABILITIES		<u>0</u>
NET ASSETS		
Reserved for scholarships	\$	<u>35,341</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORWALK COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship Fund
Additions:	
Local sources:	
Gifts and contributions	\$ 500
Interest income	1,648
Total additions	<u>2,148</u>
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	<u>1,800</u>
Total deductions	<u>1,800</u>
Change in net assets	348
Net assets beginning of year	<u>34,993</u>
Net assets end of year	<u><u>\$ 35,341</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

# NORWALK COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### (1) Summary of Significant Accounting Policies

The Norwalk Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Norwalk, Iowa, and the predominate agricultural territory in Warren County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Norwalk Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Norwalk Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Warren County Assessors' Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is utilized to account for building improvements and equipment purchases.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following proprietary funds:



The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the

District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following

fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the

current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designated Fund Balances - In the governmental fund financial statements, designated funds are not available for appropriation but are set aside for a specific purpose. The designated fund balances are for a sign in the Capital Projects Fund and various resale, fundraisers and donations accounts in the General Fund.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 4,671,747</u>

At June 30, 2008, the District had investments in the IPASeducation as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 3,221,048</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service. The investments in the IPASeducation are registered and not subject to rating.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects, Local Option Sales and Service Tax	\$ 410,371
Capital Projects, Elementary GO Bond Construction	Capital Projects, Local Option Sales and Service Tax	186,592
Capital Projects, Local Option Sales and Service Tax	Capital Projects, High School GO Bond Construction	31,964
Capital Projects, High School GO Bond Construction	Special Revenue, Physical Plant and Equipment Levy	1,500,000
Special Revenue, Physical Plant and Equipment Levy	General	27,376
Debt Service	Special Revenue, Physical Plant and Equipment Levy	32,963
General	Special Revenue, Student Activity	928
Total		<u>\$ 2,190,194</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 348,946	485,447	94,287	740,106
Less accumulated depreciation	195,298	59,416	88,218	166,496
Business-type activities capital assets, net	<u>\$ 153,648</u>	<u>426,031</u>	<u>6,069</u>	<u>573,610</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 256,352	0	0	256,352
Construction in progress	11,744,327	1,681,361	448,590	12,977,098
Total capital assets not being depreciated	12,000,679	1,681,361	448,590	13,233,450
Capital assets being depreciated:				
Buildings	14,719,660	487,871	0	15,207,531
Land improvements	806,062	103,071	0	909,133
Machinery and equipment	2,751,064	683,397	57,796	3,376,665
Total capital assets being depreciated	18,276,786	1,274,339	57,796	19,493,329
Less accumulated depreciation for:				
Buildings	5,565,831	331,736	0	5,897,567
Land improvements	533,363	25,779	0	559,142
Machinery and equipment	2,076,557	300,445	57,096	2,319,906
Total accumulated depreciation	8,175,751	657,960	57,096	8,776,615
Total capital assets being depreciated, net	10,101,035	616,379	700	10,716,714
Governmental activities capital assets, net	\$ 22,101,714	2,297,740	449,290	23,950,164

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 129,716
Other	28,969
Support services:	
Instructional staff services	32,182
Administration	3,768
Operation and maintenance	40,014
Transportation	65,796
	300,445
Unallocated depreciation	357,515
Total governmental activities depreciation expense	\$ 657,960
Business-type activities:	
Food services	\$ 59,416

#### (5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

		Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$	13,470,000	6,200,000	535,000	19,135,000	640,000
Revenue bonds		2,875,000	0	320,000	2,555,000	330,000
Capital loan notes		0	1,290,000	0	1,290,000	240,000
Compensated absences		139,932	184,794	139,932	184,794	184,794
Total	\$	16,484,932	7,674,794	994,932	23,164,794	1,394,794

#### General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Bond Issue of April 1, 1998								
Year Ending June 30,	Series A			Bond Issue of May 1, 2001				
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest		
2009	4.55	% \$ 390,000	17,745	4.50	% \$ 25,000	135,280		
2010		-	-	4.50	25,000	134,156		
2011		-	-	4.50	25,000	133,030		
2012		-	-	4.50	40,000	131,906		
2013		-	-	4.55	55,000	130,106		
2014-2018		-	-	4.60-5.00	765,000	611,813		
2019-2023		-	-	5.00	1,800,000	183,000		
2024-2028		-	-		-	-		
Total		\$ 390,000	17,745		\$ 2,735,000	1,459,291		

Year Ending June 30,	Bond Issue of May 1, 2005			Bond Issue of July 1, 2004		
	Interest		Interest	Interest		Interest
	Rates	Principal		Rates	Principal	
2009	4.50	% \$ 120,000	264,018	3.50	% \$ 30,000	150,692
2010	4.50	155,000	258,618	3.75	410,000	149,643
2011	4.50	165,000	251,642	4.00	425,000	134,269
2012	4.50	120,000	244,218	4.00	440,000	117,269
2013	4.50	120,000	238,818	4.00	450,000	99,669
2014-2018	4.40-4.50	725,000	1,112,098	4.00-4.13	2,025,000	209,275
2019-2023	4.25-4.50	2,580,000	873,476	-	-	-
2024-2028	4.35-4.40	2,045,000	135,460	-	-	-
Total		\$ 6,030,000	3,378,348		\$ 3,780,000	860,817



Year Ending June 30,	Bond Issue of June 1, 2008			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2009	5.00	% \$ 75,000	236,838	\$ 640,000	804,573	1,444,573
2010	5.00	60,000	254,619	650,000	797,036	1,447,036
2011	5.00	60,000	251,619	675,000	770,560	1,445,560
2012	5.00	105,000	248,618	705,000	742,011	1,447,011
2013	5.00	110,000	243,368	735,000	711,961	1,446,961
2014-2018	5.00-5.50	640,000	1,127,419	4,155,000	3,060,605	7,215,605
2019-2023	3.70-3.90	790,000	965,581	5,170,000	2,022,057	7,192,057
2024-2028	4.00	4,360,000	666,600	6,405,000	802,060	7,207,060
Total		\$ 6,200,000	3,994,662	\$ 19,135,000	9,710,863	28,845,863

#### Revenue Bonds Payable

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated June 1, 2005			
	Interest Rate	Principal	Interest	Total
2009	3.05	% \$ 330,000	86,250	416,250
2010	3.20	340,000	75,778	415,778
2011	3.63	350,000	63,994	413,994
2012	3.63	365,000	51,034	416,034
2013	3.63	375,000	37,622	412,622
2014-2015	3.75-4.00	795,000	31,613	826,613
Total		\$ 2,555,000	346,291	2,901,291

The District has pledged future local option sales and services tax revenues to repay \$2,875,000 Revenue Bonds issued in June 2005. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The Revenue Bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2015. The Revenue Bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest remaining to be paid on the bonds is \$2,901,291. For the current year, principal of \$320,000 and interest of \$96,002 was paid on the Revenue Bonds and total local option sales and services tax revenues were \$774,300.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$287,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.

- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

#### Capital Loan Notes Payable

Capital loan notes were issued in anticipation of future revenues and were issued for capital equipment purchases as part of the High School Construction Project. The capital loan notes will be repaid using property taxes collected in the Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2008 capital loan notes bonded indebtedness are as follows:

Year Ending June 30,	Issue dated October 1, 2007			
	Interest Rate	Principal	Interest	Total
2009	3.70	% \$ 240,000	48,994	288,994
2010	3.75	250,000	40,113	290,113
2011	3.80	260,000	30,739	290,739
2012	3.85	265,000	20,859	285,859
2013	3.88	275,000	10,656	285,656
Total		\$ 1,290,000	151,361	1,441,361

#### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$695,850, \$582,857 and \$537,603, respectively, equal to the required contributions for each year.

**(7) Risk Management**

The District has a partially self-funded health insurance plan. The District purchases commercial insurance from Blue Cross Blue Shield. The maximum cost to the District per plan is \$500.

Norwalk Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$739,462 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Construction Commitment**

The District has entered into various contracts totaling \$13,043,603 for the capital construction of the secondary campus building addition and renovations and elementary building. As of June 30, 2008, costs of \$12,977,098 had been incurred against the contracts. The balance of \$57,505 remaining at June 30, 2008 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

NORWALK COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type				Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 9,195,450	611,910	9,807,360	9,627,881	9,627,881	179,479
Intermediate sources	14,071	0	14,071	0	0	14,071
State sources	13,156,299	9,261	13,165,560	12,704,981	12,704,981	460,579
Federal sources	434,945	213,108	648,053	462,309	462,309	185,744
Total revenues	22,800,765	834,279	23,635,044	22,795,171	22,795,171	839,873
Expenditures:						
Instruction	13,219,938	0	13,219,938	12,253,421	13,750,000	530,062
Support services	5,574,945	40,807	5,615,752	6,009,115	6,009,115	393,363
Non-instructional programs	0	763,324	763,324	771,499	800,000	36,676
Other expenditures	5,145,848	0	5,145,848	5,145,330	6,000,000	854,152
Total expenditures	23,940,731	804,131	24,744,862	24,179,365	26,559,115	1,814,253
Excess(deficiency) of revenues over(under) expenditures	(1,139,966)	30,148	(1,109,818)	(1,384,194)	(3,763,944)	2,654,126
Other financing sources(uses), net	7,584,489	477,752	8,062,241	1,254,309	1,254,309	6,807,932
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	6,444,523	507,900	6,952,423	(129,885)	(2,509,635)	9,462,058
Balance beginning of year	8,842,167	539,912	9,382,079	9,113,904	9,113,904	268,175
Balance end of year	\$ 15,286,690	1,047,812	16,334,502	8,984,019	6,604,269	9,730,233

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$2,379,750.

OTHER SUPPLEMENTARY INFORMATION

NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Manage- ment Levy	Student Activity	Total Other Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 349,514	227,037	576,551
Receivables:			
Property tax:			
Current year delinquent	9,251	0	9,251
Succeeding year	415,000	0	415,000
Accounts	0	439	439
TOTAL ASSETS	\$ 773,765	227,476	1,001,241
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 0	621	621
Deferred revenue:			
Succeeding year property tax	415,000	0	415,000
Other	4,369	0	4,369
	419,369	621	419,990
Fund balances:			
Unreserved, undesignated	354,396	226,855	581,251
TOTAL LIABILITIES AND FUND BALANCE	\$ 773,765	227,476	1,001,241

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Manage- ment Levy	Student Activity	Total Other Nonmajor Governmental Funds
REVENUES:			
Local sources:			
Local tax	\$ 370,102	0	370,102
Other	36,226	472,248	508,474
State sources	201	0	201
TOTAL REVENUES	406,529	472,248	878,777
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	56,677	0	56,677
Other instruction	0	510,719	510,719
Support services:			
Administration services	19,500	363	19,863
Operation and maintenance of plant services	154,760	98	154,858
Transportation services	29,322	0	29,322
TOTAL EXPENDITURES	260,259	511,180	771,439
Excess(deficiency) of revenues over(under) expenditures	146,270	(38,932)	107,338
OTHER FINANCING USES:			
Transfers out	0	(928)	(928)
Net change in fund balances	146,270	(39,860)	106,410
FUND BALANCES BEGINNING OF YEAR	208,126	266,715	474,841
FUND BALANCES END OF YEAR	\$ 354,396	226,855	581,251

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures and Transfers out	Intra- fund Transfers	Balance End of Year
Middle School Accounts:					
General Athletics	\$ 1,985	1,935	2,000	0	1,920
Concessions	2,947	4,969	4,550	0	3,366
Chorus	2,274	11,050	12,503	0	821
Cross Country	164	0	58	0	106
Boys Basketball	2,828	1,841	1,305	(642)	2,722
Football	154	2,149	2,282	0	21
Baseball	0	0	1,142	1,142	0
Boys Track	1,664	50	510	(500)	704
Wrestling	1,103	576	265	0	1,414
Girls Basketball	191	1,279	1,405	0	65
Volleyball	2,405	2,281	818	(799)	3,069
Softball	0	0	1,299	1,299	0
Girls Track	380	1,428	643	(500)	665
Cheerleaders	532	1,504	1,259	0	777
Student Council	8,181	3,593	3,652	0	8,122
Art Club	225	4,155	4,340	0	40
Ace Club	48	4,678	4,726	0	0
Annual	457	1,327	506	0	1,278
SADD	513	300	111	0	702
High School Accounts:					
General Athletics	35,087	52,453	30,429	(26,375)	30,736
Concessions	16,044	4,482	16,149	0	4,377
All School Play	1,738	660	1,014	0	1,384
Speech	0	0	1,277	1,277	0
Chorus	0	0	1,683	1,683	0
Dinner Show	2,944	12,573	13,425	0	2,092
Swing Choir	8,183	8,624	12,646	0	4,161
Band	9,549	89,708	99,674	3,795	3,378
Tri-M Club	130	0	0	0	130
Athletic Letter Club	680	0	0	0	680
Cross Country	924	5,779	6,237	0	466
Swimming	200	0	0	0	200
Boys Basketball	23,027	15,754	16,468	(395)	21,918
Football	35,699	42,496	52,644	(820)	24,731
Boys Soccer	5,336	18,911	19,316	(355)	4,576
Baseball	7,660	16,979	17,984	5,236	11,891
Boys Track	1,902	4,983	6,054	(45)	786
Boys Tennis	371	954	2,547	1,573	351
Boys Golf	200	5,689	7,261	1,622	250
Wrestling	18,936	27,488	32,540	0	13,884
Weight Room	123	4,024	12,335	8,188	0
Girls Basketball	17,334	14,942	9,946	(385)	21,945

NORWALK COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures and Transfers out	Intra- fund Transfers	Balance End of Year
High School Accounts(Continued):					
Volleyball	12,342	8,697	5,395	(195)	15,449
Girls Soccer	105	10,628	9,944	31	820
Softball	4,452	11,820	13,800	(390)	2,082
Girls Track	1,052	6,047	6,806	965	1,258
Girls Tennis	25	81	947	866	25
Girls Golf	918	2,602	3,384	0	136
Cheerleaders	4,083	11,170	9,907	0	5,346
Drill Team	948	11,880	14,900	3,784	1,712
Class of 2006	11	0	11	0	0
Class of 2007	214	0	214	0	0
Class of 2008	5,953	0	5,953	0	0
Class of 2009	0	14,645	10,268	0	4,377
Student Council	2,324	7,220	5,891	0	3,653
Art Club	3,180	3,353	4,570	(60)	1,903
French Club	2,434	5,680	5,803	0	2,311
Spanish Club	3,892	259	37	0	4,114
Annual	8,251	5,819	8,261	0	5,809
Newspaper	1	1,789	1,651	0	139
MOC	86	0	0	0	86
National Honor Society	33	780	598	0	215
SADD	269	142	332	0	79
SES	85	0	0	0	85
Debate	2,345	0	199	0	2,146
Mock Trial	907	0	189	0	718
Fanatecs/Pep Club	484	0	0	0	484
Poetry Club	203	22	45	0	180
Total	\$ 266,715	472,248	512,108	0	226,855

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2008

	Capital Project Funds			
	Elementary GO Bond Construction	High School GO Bond Construction	Local Option Sales and Services Tax	Total Capital Projects
ASSETS				
Cash and pooled investments	\$ 6,209,674	196,516	521,735	6,927,925
Accrued interest receivable	13,501	247	0	13,748
Due from other governments	0	0	641,806	641,806
TOTAL ASSETS	6,223,175	196,763	1,163,541	7,583,479
LIABILITIES AND FUND BALANCES				
Liabilities:				
Total liabilities	0	0	0	0
Fund balances:				
Reserved:				
Capital facility construction	6,223,175	196,092	0	6,419,267
LOSST supplemental	0	0	505,574	505,574
Unreserved:				
Designated for school sign	0	671	0	671
Undesignated:				
Capital projects	0	0	657,967	657,967
Total fund balances	6,223,175	196,763	1,163,541	7,583,479
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,223,175	196,763	1,163,541	7,583,479

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2008

	Capital Projects Fund			
	Elementary GO Bond Construction	High School GO Bond Construction	Local Option Sales and Services Tax	Total
REVENUES:				
Local sources:				
Local tax	\$ 0	0	774,300	774,300
Other	13,864	117,760	35,447	167,071
State sources	0	0	505,574	505,574
Federal sources	0	50,000	0	50,000
Total revenues	13,864	167,760	1,315,321	1,496,945
EXPENDITURES:				
Other expenditures:				
Facilities acquisitions	168,538	2,198,261	222,537	2,589,336
Total expenditures	168,538	2,198,261	222,537	2,589,336
Excess(deficiency) of revenues over(under) expenditures	(154,674)	(2,030,501)	1,092,784	(1,092,391)
OTHER FINANCING SOURCES(USES):				
Transfers in	186,592	1,500,000	31,964	1,718,556
Transfers out	0	(31,964)	(596,963)	(628,927)
Issuance of general obligation bonds	6,200,000	0	0	6,200,000
Premium on issuance of bonds	104,901	0	0	104,901
Discounts on issuance of bonds	(95,590)	0	0	(95,590)
TOTAL OTHER FINANCING SOURCES(USES)	6,395,903	1,468,036	(564,999)	7,298,940
Net change in fund balances	6,241,229	(562,465)	527,785	6,206,549
Fund balance beginning of year	(18,054)	759,228	635,756	1,376,930
Fund balance end of year	\$ 6,223,175	196,763	1,163,541	7,583,479

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund				
	J. Graham Scholarship	Frederick Scholarship	J.W. Winter Scholarship	V. Montgomery Memorial	D. Oviatt Scholarship
ASSETS					Total
Cash and pooled investments	\$ 5,203	6,189	22,094	554	1,047
Accrued interest receivable	37	45	160	4	8
TOTAL ASSETS	5,240	6,234	22,254	558	1,055
					35,341
TOTAL LIABILITIES	0	0	0	0	0
NET ASSETS					
Reserved for scholarships	\$ 5,240	6,234	22,254	558	1,055
					35,341

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund					
	J. Graham Scholarship	Frederick Scholarship	J.W. Winter Scholarship	V. Montgomery Memorial	D. Oviatt Scholarship	Norwalk Bank Scholarship
Local sources:						
Gifts and contributions	0	0	0	0	0	500
Interest on investments	246	293	1,018	35	56	0
Total additions	246	293	1,018	35	56	500
						2,148
Deductions:						
Instruction:						
Regular instruction:						
Scholarships awarded	250	300	300	250	200	500
Change in net assets	(4)	(7)	718	(215)	(144)	0
Net assets beginning of year	5,244	6,241	21,536	773	1,199	0
						34,993
Net assets end of year	5,240	6,234	22,254	558	1,055	0
						35,341

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUND TYPES  
FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Revenues:</b>									
Local sources:									
Local tax	\$ 6,904,300	6,850,693	6,736,606	6,162,512	5,305,313	5,058,678	4,825,203	4,083,807	3,825,914
Tuition	867,627	968,314	839,600	649,039	651,742	562,761	461,058	497,718	462,519
Other	1,423,523	1,637,994	1,564,120	1,077,267	867,530	873,724	796,100	1,117,389	844,043
Intermediate sources	14,071	28,766	0	0	4,100	1,841	7,063	20,837	14,076
State sources	13,156,299	12,054,476	10,892,381	10,674,782	10,020,720	9,561,884	10,147,308	8,908,181	8,371,395
Federal sources	434,945	1,399,399	278,986	292,444	1,264,994	419,515	294,581	193,628	158,059
<b>Total</b>	<b>\$ 22,800,765</b>	<b>22,939,642</b>	<b>20,311,693</b>	<b>18,856,044</b>	<b>18,114,399</b>	<b>16,478,403</b>	<b>16,531,313</b>	<b>14,821,560</b>	<b>13,676,006</b>
<b>Expenditures:</b>									
Instruction:									
Regular instruction	\$ 8,704,650	7,129,750	6,477,767	5,454,201	5,472,518	5,280,396	5,759,774	5,377,410	5,070,946
Special instruction	2,443,711	2,178,958	2,118,210	2,808,257	2,788,710	2,595,218	2,649,538	2,125,277	1,840,968
Other instruction	2,071,577	1,857,749	1,524,948	1,329,236	1,282,384	1,398,288	1,213,939	1,272,819	1,177,344
Support services:									
Student services	658,987	515,050	507,941	534,207	472,981	522,323	529,608	437,088	436,300
Instructional staff services	631,841	642,518	629,511	722,545	585,660	496,274	496,032	468,960	417,130
Administration services	1,861,659	1,832,423	1,687,680	1,798,041	1,593,549	1,543,304	1,875,354	1,809,678	1,535,112
Operation and maintenance of plant services	1,835,468	1,481,173	1,462,716	1,344,243	1,293,616	1,373,322	1,363,320	1,216,654	1,180,802
Transportation services	586,990	682,702	526,566	576,734	508,090	461,675	429,892	438,742	417,745
Non-instructional programs	0	0	0	11,371	511	12,857	11,683	53,314	57,248
Other expenditures:									
Facilities acquisitions	2,831,470	9,538,790	2,831,363	596,663	1,508,524	261,122	2,510,753	2,204,173	351,551
Long-term debt:									
Principal	855,000	4,150,000	430,000	375,000	460,000	584,702	590,000	534,507	565,000
Interest and other charges	719,916	912,526	896,321	548,689	440,749	467,924	492,128	357,176	362,467
AEA flow-through	739,462	685,792	627,295	612,482	600,251	612,443	602,268	587,565	550,194
<b>Total</b>	<b>\$ 23,940,731</b>	<b>31,607,431</b>	<b>19,720,318</b>	<b>16,711,669</b>	<b>17,007,543</b>	<b>15,609,848</b>	<b>18,524,289</b>	<b>16,883,363</b>	<b>13,962,807</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	\$ 9,019
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	204,089 *
			<u>213,108</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4797-G	82,544
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4797-GC	21,052
			<u>103,596</u>
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 08	<u>45,662</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 08	<u>13,043</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	<u>5,022</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 08	<u>2,881</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION GRANT)	84.215	FY 08	<u>50,000</u>
ADVANCE PLACEMENT PROGRAM	84.330	FY 08	<u>162</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 08	<u>40,455</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 08	<u>16,555</u>
AREA EDUCATION AGENCY 11:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 08	<u>109,616</u>
SPECIAL EDUCATION - GRANTS TO STATES(IDM)	84.027	FY 08	<u>2,544</u>
SPECIAL EDUCATION - GRANTS TO STATES(PBS)	84.027	FY 08	<u>8,458</u>

NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED):			
AREA EDUCATION AGENCY 11 (CONTINUED):			
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)	84.318	FY 08	495
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 08	759
TOTAL			\$ 612,356

\* Includes \$48,538 of non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Norwalk Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Norwalk Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Norwalk Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 31, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Norwalk Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Norwalk Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Norwalk Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Norwalk Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Norwalk Community School District's financial statements that is more than inconsequential will not be prevented or detected by Norwalk Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Norwalk Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Norwalk Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Norwalk Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Norwalk Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Norwalk Community School District and other parties to whom Norwalk Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Norwalk Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 31, 2009

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Norwalk Community School District

Compliance

We have audited the compliance of Norwalk Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Norwalk Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Norwalk Community School District's management. Our responsibility is to express an opinion on Norwalk Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Norwalk Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Norwalk Community School District's compliance with those requirements.

In our opinion, Norwalk Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Norwalk Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Norwalk Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Norwalk Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Norwalk Community School District and other parties to whom Norwalk Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson P.C.", with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

March 31, 2009

NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered Programs
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.553 - School Breakfast Program
  - Individual
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Norwalk Community School District did not qualify as a low-risk auditee.

NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issue and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.



NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

NORWALK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-08 Certified Budget - District expenditures for the year ended June 30, 2008, did not exceed the amount budgeted.
- IV-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-08 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.